

Summary of the Sustainable Investment Due Diligence policies

The Sustainable Investment Due Diligence Procedure (**Procedure**) describes the process for Sustainability (ESG) due diligence assessment by Luminor Asset Management Companies (**AMC**) prior to making investment decision and continuous monitoring thereof¹. Main principles related to the integration of the sustainability-related risks into the investment decision making processes from the Procedure are specified below.

AMC offers to the clients Pension funds which meet the characteristics of the Sustainability linked investments² and Pension funds with no sustainability objectives³. Highest priority for AMC is to manage Pension funds' assets according to fund's strategy and mandate, which may or may not include Sustainability objective or promotion of ESG characteristics.

The consideration of the Sustainability (ESG) risks and adverse or potential adverse impacts is ensured by the AMC's when establishing the Sustainability Objective (part of Pension fund prospectus and/or fund rules which describes pension fund strategy regarding Sustainability goals, preferences and ESG characteristics) of the Pension fund and is implemented through decisions to include and/or exclude financial instruments.

For Pension funds, which meet Sustainability linked investment definition, environmental and social characteristics promoted by this product are defined in the mandatory documents (e.g. Key Investor Information Document, Key Information Document, Prospectus and etc.). These characteristics are described, monitored and reported in pre-contractual disclosures and periodic reports.

For the Pension funds, which meet Sustainability linked investment definition, AMC strive to manage and to select financial instruments that do not harm environment or social justice, curb greenhouse gas emissions, stimulate investee companies to transition away from unsustainable activities and reduce their negative environmental impacts, or even induce portfolio adjustments and divestment from activities that are harmful to sustainability.

For the Pension funds, which are considered as Investments with no Sustainability Objectives, the AMC's may include Sustainable Investments, financial instruments which promote ESG characteristics without having as objective a Sustainable Investment and/or financial instruments which neither promote ESG characteristics nor have Sustainable Investment as an objective;

The Sustainability (ESG) risks (inside-out perspective) are integrated into the investment decision making process by applying the ESG Due Diligence assessment of the financial instruments:

- 1) Before investing into financial instruments AMC carries out ESG Due Diligence assessment by applying the inclusion and exclusion methods.
- 2) On an periodic basis (at least once per year) the AMC monitors if the financial instruments it has invested into conform with the ESG Due Diligence arrangements.
- 3) On a yearly basis, IMT analyses the principal adverse impacts of the investment decisions of the AMC by preparing SFDR RTS Annex I and for sustainability linked Pension funds SFDR RTS Annex IV.
- 4) For principal adverse impacts identified, where applicable, IMT provides explanation and describes actions taken, and actions planned, and targets set for the next reference period according to Annex I and Annex IV of the SFDR RTS.
- 5) In case the assessment results with conclusion that the financial instrument, is subject to the Exclusion list and/or may potentially fail with implementation of Do No Significant Harm Principle (for financial instruments considered as Sustainable Investments and/or

¹ This Procedure is designed on the basis of the requirements stemming from the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (hereinafter – **SFDR**)

² Financial instruments conforming with the Article 8 of the SFDR;

³ Financial instruments conforming with the Article 6 of the SFDR;

Sustainability-linked investments), the AMC will provide clear reasoning why such instrument should be considered as investment. Such investment decisions are subject for approval of the Management Board of the AMC. In case of fixed income financial instruments, assessment is done on the particular issue of the manufacturer of the financial instrument.

In addition, the AMC assesses if Sustainability (ESG) risks are likely to impact the returns of the financial instruments (outside-in perspective). AMC carries out the assessment by using Sustainability (ESG) risk data provided by manufacturers of the products (indirect investments) or issuers of the securities (direct investments) and analyses if any of the ESG factors could make potential or adverse impact on the performance of the Pension fund.